

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AGRE-00 EB-08 AID-05 CEA-01
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R 241741Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6755
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

UNCLAS SECTION 01 OF 02 BRUSSELS 10122

PASS AGRICULTURE ELECTRONICALLY

ALSO FOR USEEC
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, BE, LU
SUBJECT: BELGIAN AND LUXEMBOURG REACTIONS TO 1978/79 EC
FARM PRICE PACKAGE

1. BEGIN SUMMARY: REACTIONS IN BELGIUM AND LUXEMBOURG
TOWARD THE 1978/79 EC PRICE PACKAGE RANGE FROM LESS THAN
SATISFIED IN OFFICIAL CIRCLES TO EXTREME DISSATISFACTION
AMONG FARM GROUPS. BOTH COUNTRIES, WHICH ORIGINALLY
CALLED FOR A MINIMUM AVERAGE INCREASE OF 5.5 PERCENT,
BELIEVE NET FARM INCOME WILL DECLINE. END SUMMARY.
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2. SOURCES IN THE BELGIAN MINISTRY OF AGRICULTURE BELIEVE
THE RECENTLY CONCLUDED 1978/79 EC PRICE PACKAGE, IN
GENERAL, WILL NOT BE VERY BENEFICIAL FOR STRONG CURRENCY
COUNTRIES SUCH AS BELGIUM WHICH HAVE NOT DEVALUED THEIR
GREEN RATES VIS-A-VIS THE UNIT OF ACCOUNT. ACCORDING TO
MOA ESTIMATES, AVERAGE PRODUCER PRODUCTION COSTS HAVE

INCREASED ABOUT 6 PERCENT, AND SINCE AVERAGE PRODUCER PRICES WILL ONLY INCREASE ABOUT 2 PERCENT, NET FARM INCOME DURING THE CURRENT YEAR WILL DECLINE. ALTHOUGH THIS DECLINE MAY NOT SERIOUSLY AFFECT THE FEW LARGE AND EFFICIENT PRODUCERS, IT UNDOUBTEDLY WILL CAUSE CONCERN AMONG THE MUCH MORE NUMEROUS SMALL FARMERS. IN ADDITION, BELGIAN PRODUCERS NOW FEEL DISCRIMINATED AGAINST SINCE SALARIES IN THE NON-FARM SECTOR HAVE BEEN INCREASING, AND IN MANY CASES ARE INDEXED TO THE COST OF LIVING.

3. ON BEHALF OF THE BELGIAN GREEN FRONT, THE BOERENBOND (WHICH IS THE MOST INFLUENTIAL FARM GROUP IN BELGIUM) HAS ASKED FOR AN URGENT MEETING ON THIS MATTER WITH PRIME MINISTER TINDEMANS (HIMSELF A FORMER MINISTER OF AGRICULTURE). THE GREEN FRONT HAS DENOUNCED THE PRICE PACKAGE, STATING THE INCREASE IS LESS THAN WHAT SHOULD HAVE BEEN GRANTED UNDER THE COMMISSION'S FORMULA FOR CALCULATING NEW PRICES. THIS PARALLELS THE POSITION ADOPTED BY COPA, THE EC-WIDE FARM ORGANIZATION. IN SPITE OF THESE NEGATIVE FEELINGS, MINISTER OF AGRICULTURE HUMBLET GENERALLY RECEIVED PRAISE FOR THE MANNER IN WHICH HE NEGOTIATED ON BEHALF OF BELGIAN PRODUCERS AND HIS TENACITY DURING THE DIFFICULT MARATHON SESSIONS.

4. BELGIAN AGRICULTURE IS PRIMARILY LIVESTOCK ORIENTED, AND WITHIN THAT SECTOR THE DAIRY INDUSTRY PLAYS AN UNCLASSIFIED

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IMPORTANT ROLE. MILK PRODUCERS WILL RECEIVE AN AVERAGE INCREASE OF SLIGHTLY OVER 3 PERCENT, AND, AS IN THE PAST, WILL PROBABLY REACT TO THIS RELATIVELY LOW PRICE INCREASE BY EXPANDING PRODUCTION SLIGHTLY. THE BELGIANS ARE PLEASED THE CO-RESPONSIBILITY TAX HAS BEEN REDUCED TO 0.5 PERCENT, AND THAT IT PROBABLY WILL BE ELIMINATED ALTOGETHER IN THE FUTURE. THE MOA HAS NEVER BEEN IN FAVOR OF THIS TAX AND SHOULD BE ABLE TO GAIN SOME SUPPORT AMONG DAIRYMEN AS A RESULT OF ITS REDUCTION. THE IMPORTANT PORK SECTOR IS LIKELY TO BE ADVERSELY AFFECTED BY THE REDUCED MCA'S WHICH WILL BE APPLIED TO FRENCH PIGMEAT TRADE BECAUSE BELGIAN PORK PRODUCTS WILL BE LESS COMPETITIVE WITH SIMILAR FRENCH ITEMS. FRANCE IS BELGIUM'S LARGEST EXPORT MARKET FOR PORK PRODUCTS.

5. ALTHOUGH THE EC COUNCIL AGREED TO GIVE SPECIAL CONSIDERATION TO CERTAIN STRUCTURAL PROJECTS THE GOVERNMENTS OF BELGIUM AND LUXEMBOURG MAY SUBMIT, NO SPECIFIC PROPOSALS ARE LIKELY TO BE MADE FOR SOME TIME. WHILE ANY FUTURE PROJECTS WOULD NOT HAVE AN IMMEDIATE IMPACT ON FARM INCOME, BOTH COUNTRIES FEEL THEY HAVE BEEN ASSURED A LARGER PIECE OF THE FEOPA PIE, AND WILL

PROBABLY TRY TO SOOTHE FARMER DISCONTENT BY WORKING CLOSELY WITH PRODUCER GROUPS ON THE DEVELOPMENT OF SPECIFIC PROJECTS.

6. IN LUXEMBOURG, THE MOA PHILOSOPHICALLY IS SATISFIED AN AGREEMENT WAS REACHED, THEREBY AVOIDING A CAP CRISIS. HOWEVER, IN TERMS OF ACTUAL GAINS FOR PRODUCERS, THE MOA IS NOT PLEASED, ESPECIALLY IN THE DAIRY SECTOR. LUXEMBOURG AGRICULTURE IS PRIMARILY DAIRY ORIENTED AND TO A LESSER EXTENT BEEF, AND UNFORTUNATELY, FARMERS

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THERE DO NOT HAVE VERY MANY PRODUCTION ALTERNATIVES. IN ADDITION TO THE LESS THAN HOPED FOR INCREASE IN DAIRY PRICES, LUXEMBOURG HAS HAD DIFFICULTIES IN THE PAST IN MARKETING MILK AND DAIRY PRODUCTS, WHICH IN TURN HAS HAD REVENUE REPERCUSSIONS FOR PRODUCERS. IT IS POSSIBLE THAT SOME INCREASE IN DAIRY SLAUGHTERING MAY TAKE PLACE THIS YEAR, AS WELL AS INCREASED CONVERSION TO BEEF HERDS.

7. LUXEMBOURG'S MAJOR FARM ORGANIZATION, THE CENTRALE
PAYSANNE, HAS VOICED EXTREME DISAPPOINTMENT WITH THE NEW
PRICE PACKAGE, AND CAN BE EXPECTED TO WORK CLOSELY WITH
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